



COUNCILMEMBER DONNA FRYE
City of San Diego
Sixth District

MEMORANDUM

DATE: May 14, 2007

TO: Mayor Jerry Sanders
City Attorney Michael Aguirre
Deputy City Attorney for Disclosure, Mark Blake
CFO/City Auditor (Unofficial), Jay Goldstone

FROM: Councilmember Donna Frye

SUBJECT: Issuance of 2007 Tax Allocation Bonds

On Tuesday, May 15, 2007 the City Council docket includes Item Number 331, which is the "Approval of the Issuance of 2007 Tax Allocation Bonds, Notes or Loans in the Total Amount of \$42,000,000 to Finance and Refinance Portions of Costs of Three Redevelopment Projects." In addition, on the May 15, 2007 Redevelopment Agency docket there is a companion item, which is Item Number 2. Following are some of my initial questions.

1. The Independent Budget Analyst's (IBA) Report Number 07-51 indicates that the Disclosure Practices Working Group (DPWG) has reviewed the form and content of the documents and materials prepared, issued, or distributed in connection with the City's disclosure obligations relating to this Bond Offering such as the Preliminary Official Statement (POS). Is there a copy of the DPWG signed certificate in the materials provided to the City Council?
2. The Southeastern Economic Development Corporation (SEDC) does not have current audited annual financial reports, nor audited financial reports for FY 2002-2003 through 2004-2005. When was the last fiscal year that SEDC and the Redevelopment Agency had an audited financial report, and who issued the independent auditors' opinion?
3. Given the fact that there are no audited financial reports, what specific procedures were followed to ensure that the financial information is accurate and not misleading?
4. Has the SEDC Board of Directors issued a signed certification attesting that the financial statements are accurate?

5. What financial internal controls are in place at SEDC, the Redevelopment Agency, and the City of San Diego to ensure that the financial information being provided in the POS can be relied upon?
6. What is the total amount of debt SEDC owes to the City of San Diego and what, if any is the repayment schedule? Where is the debt owed to the City disclosed?
7. Much of the information on page 6 of the POS (Certain Investigations Regarding the City) is outdated. For example, according to a letter from KPMG, dated May 3, 2007, it states that KPMG's engagement is completed whereas the information provided on page 6 states otherwise. I have taken note that there is a bracketed statement (to be updated – M. Blake), however, the City Council must be provided with all updated information in advance of any proposed action.
8. There are many blank pages and/or incomplete information on pages throughout the documents provided to the City Council for review. Please provide an explanation for all such pages and also when the missing information will be provided.
9. Was the City Attorney's investigation of SEDC disclosed? What corrective actions has SEDC taken to ensure such problems do not occur in the future? Have the issues pointed out in the report been corrected?
10. The IBA's Report Number 07-51 also indicates that the Redevelopment Agency met with Moody's Ratings recently, and expects to receive a rating by May 18, 2007. The City Council should have that information before voting on this bond issuance.

Cc: City Councilmembers
Andrea Tevlin, IBA
Greg Levin, Deputy Comptroller
Stanley Keller, Independent Consultant